

STATE OF WASHINGTON



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of)	
)	ORDER IMPOSING
CHUBB INDEMNITY INSURANCE)	SUSPENDED FINE
COMPANY, CHUBB NATIONAL)	
INSURANCE COMPANY, FEDERAL)	NO. D 03-147
INSURANCE COMPANY, GREAT)	
NORTHERN INSURANCE COMPANY,)	
NORTHWESTERN PACIFIC)	
INDEMNITY COMPANY, PACIFIC)	
INDEMNITY COMPANY, and)	
VIGILANT INSURANCE COMPANY)	
)	
Authorized Insurers.)	

FINDINGS OF FACT:

1) A Market Conduct Examination was completed for the period from January 1, 1998 through September 30, 1998. The Consent and Order Levying Fine No. D 2000-04 was entered June 19, 2000. The Order levied a fine of \$135,250.00 with \$67,625.00 suspended. Also, there was an agreed Compliance Plan that was negotiated between the Chubb companies and the Office of Insurance Commissioner.

2) The violations found during the examination and which were the basis of the Consent Order and the focus of the Compliance Plan are as follows:

- a) Renewal letters were not sent to the insureds 25 days prior to the renewal date and copies not kept in the file, in violation of RCW 48.18.2901(1)(b).
- b) Policy related documents did not accurately reflect the legal name of the insurance company in violation of RCW 48.05.190(1).
- c) Binders were issued for periods in excess of 90 days in violation of RCW 48.18.230.
- d) Policy rating was not according to current Chubb WA filed rates and rating plans in violation of RCW 48.19.040
- e) Schedule rating total credits/debits were not capped at 25%, even when combined with an expense modification, worksheets were not properly completed, and commission reduction modification were not 15% or less in violation of WAC 284-24-100.
- f) Experience rated files did not contain the required loss information in violation of RCW 48.19.040.

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- g) Schedule rated risk policies were not documented with a schedule rating worksheet to demonstrate that the risk was considered for this plan, even if the modification was 0% in violation of WAC 284-24-100.
 - h) The appropriate schedule rating documentation was not substantiated by other information in the file in violation of WAC 284-24-100.
 - i) When an "a" rate was used, the file did not contain required documentation and a copy of the documentation was not placed in the "a" rate binder in the CAS work area in violation of WAC 284-24-070.
 - j) When a manuscript form was used, it was not used in a one-time only unique situation and approved by home office/zone, or filed with WA OIC as required by RCW 48.18.100, RCW 48.18.103(2).
 - k) Minimum premiums were not according to filed rates in violation of RCW 48.19.040.
 - l) The required mandatory WA forms were not attached in violation of RCW 48.18.120, RCW 48.18.125, RCW 48.18.140(2)(f).
- 3) In Consent and Order Levying Fine NO. D 2000-04, the company agreed (a) to execute and carry out all details of the attached Compliance Plan, and (b) to commit no further violations of the statutes and regulations that were the subject of the Consent Order for a period of eighteen months from the date on which the Order was entered. The OIC agreed it would not impose the balance of the fine nor proceed against Chubb's certificate should it commit isolated or de minimis violations of the statutes and regulations that were the subject of the Consent Order.
- 4) Since the Consent Order was entered on June 19, 2000, the company has conducted three internal audits pursuant to its Compliance Plan. The first audit was concluded in February 2001. In it the Company discovered 78 violations of RCW 48.18.2901(1)(b), 21 violations of RCW 48.05.190(1), 5 violations of RCW 48.18.230, 42 violations of RCW 48.19.040, 5 violations of WAC 284-24-100, no violations of RCW 48.19.040, 40 violations of WAC 284-24-100, 57 additional violations of WAC 284-24-100, 2 violations of WAC 284-24-070, 9 violations of RCW 48.18.100 and RCW 48.18.103(2), no violations of RCW 48.19.040 and 16 violations of RCW 48.18.120, RCW 48.18.125, and RCW 48.18.140(2)(f). The rate of violations discovered by the first audit was 35%.

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The second audit, conducted in July 2001, was 22%. The third audit, conducted in April-May 2003, resulted in a loss ratio of 27%.

CONCLUSIONS OF LAW

1) The OIC finds that these numerous and repeated violations of the same statutes and regulations that were the subject of Consent and Order Levying Fine No. D 2000-04 are not isolated or de minimus. The company's pattern of a continued high rate of filing and other violations are indicative of a systemic problem.

2) Section II of the Compliance Plan submitted by the company addressed the corrective action it would implement to correct the underwriting, rating, documentation and processing of Washington policies that were detailed in the original Consent and Order Levying Fine No. D 2000-04. The subsequent audits conducted by the company reveals these corrective actions were not followed.

3) The Company's numerous and repeated violations of the same statutes and regulations that were the subject of Consent and Order Levying Fine No. D 2000-04, breached a condition under which \$67,625 of the fine imposed by that Order was suspended.

4) The Company's failure to correct its underwriting, rating, documentation and processing of Washington policies breaches the terms of the Compliance Plan attached to Consent and Order Levying Fine No. D 2000-04, which is a breach of a condition under which \$67,625 of the fine imposed by that Order was suspended.

ORDER

Pursuant to Consent and Order Levying Fine No. D 2000-04, the Insurance Commissioner hereby imposes the \$67,625 suspended portion of the \$135,250 fine imposed upon Chubb Indemnity Insurance Company, Chubb National Insurance Company, Federal Insurance Company, Great Northern Insurance Company, Northwestern Pacific Indemnity Company, Pacific Indemnity Company, and Vigilant Insurance Company on June 19, 2000. Payment of the heretofore suspended portion of the fine is to be paid in full within thirty days of

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the date of entry of this order. Failure to pay this portion of the fine shall constitute grounds for recovery of the fine and for revocation of the companies' certificates of authority in a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

ENTERED AT OLYMPIA, WASHINGTON this 5th day of August, 2003.

MIKE KREIDLER
Insurance Commissioner

By: _____
Mary M. Cotter
Staff Attorney
Legal Affairs